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GAF Corporation Annual Report 1971

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Cover:

GAF Corporation's congeneric growth, evolving as it does from a chemical core, has produced five basic product groups which serve a wide variety of industries and markets. The product groups, indicated by the photo abstracts, from left to right are Chemicals, Photo Products, Business Systems, Building Materials and Industrial Products. The embossed symbols reflect the diversity of each group's product lines or markets they serve.

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The Annual Meeting of GAF Shareholders will be held on April 25,1972.

Message from the President

To GAF Shareholders:

In spite of the many problems faced by business in general in 1971, GAF Corporation began to fulfill the promise of its modernization, expansion and diversification programs, and concluded the year with substantial growth in sales and operating earnings.

Net income for 1971 was $13,474,000, or 71 cents a common share, after deduction of an extraordinary charge of $8,433,000, net of taxes, or 62 cents a share, principally for the elimination of certain nonprofitable operations, and an addition for an accounting change in the treatment of the investment tax credit amounting to $1,068,000, or eight cents a share.

Net income for the previous year was $14,694,000, or 80 cents a share, which included an extraordinary gain of $6,301,000, or 46 cents a share, from the sale of properties.

Income from operations, therefore, was up substantially in 1971 at $21,907,000, or $1.33 per share, as against $8,393,000, or 34 cents a share, the previous year.

The 1971 extraordinary charge resulted principally from the discontinuance of the chlorine-caustic and ethylene oxide facilities at Linden, N. J. and the Calsilite® insulating materials manufacturing unit at Gloucester City, N. J. These three units represented an operating loss of $4,343,000 in 1971 and $2,644,000 the previous year, and were becoming increasingly burdensome in the light of new environmental requirements, other accelerating cost factors or declining market potential.

Sales during 1971 reached an all-time record of $683,762,000, or 17 per cent higher than the $583,482,000 for 1970. Both of these sales figures reflect the exclusion of the sales from the discontinued operations, $15,266,000 in 1971 and $15,224,000 in 1970.

The substantial gains in overall Company sales were aided by several price increases in important product lines in 1971 prior to the institution of government controls, as well as by an upturn in housing starts in the nation. This new construction activity was especially helpful to GAF's Building Products Sales Group and brought it to the lead position in contribution to Company sales and profits.

GAF's Photo Products Sales Group in 1971 began to realize a return on the investment and effort put into this area since the Company was released from Government custodianship and became publicly held in 1965. The group during the year improved sales 29 per cent and turned a $3.1 million operating loss in 1970 into a $4.4 million profit before unallocated corporate expenses and taxes. The acquisition of the Perfect Photo Division of Cadence Industries Corporation in March of 1971 contributed to the improved photofinishing sales and earnings. By the end of 1971 the consumer photo segment had made impressive strides in building a total capability encompassing films, hard goods, and processing, as well as accelerating GAF brand identification and consumer acceptance.

GAF's chemical operations, while strong in specialty products for a wide range of markets, could not fully escape industry-wide problems in 1971. Overcapacity in the U. S. chemical market and intense competition from foreign producers have made it difficult to increase prices to the level which would compensate for rising labor, utility and materials costs. In addition, mounting environmental control demands and ever-changing standards have necessitated accelerated outlays.

The Chemicals Sales Group, exclusive f the chlorine-caustic and ethylene oxide perations, managed to increase sales and perating margins slightly over 1970 on ie basis of good performance in many roduct segments of its diversified line.

GAF's Business Systems Sales Group ontinued to be the victim of a sluggish .S. economy during the past year. Cutacks in government spending in the irframe and other engineering-oriented elds have drastically curtailed sales of AF® diazo reproduction equipment and ensitized materials. On the brighter side, owever, overseas sales of GAF® business ystems products remain strong.

The slower-than-expected recovery ı 1971 from the economic slump also dversely affected GAF's Industrial roducts Sales Group, particularly in the lt line. However, growth in the sale of ranules—paralleling asphalt roofing roduct trends—and filtration products, ue to the opening of new markets, led to ightly better overall sales and profit sults exclusive of the Calsilite® insuting material losses.

International operations continued rong during 1971 with sales growing five r cent to $90 million.

Capital expenditures for 1971 amounted to almost $30 million, up from the $25 million spent the previous year. The largest single item was the major expansion of the GAF sheet vinyl facilities at Whitehall, Pa. New pollution control requirements accounted for nearly $5 million of this total.

An attempt by several shareholders in 1971 to replace your Company's Board of Directors with another slate was rejected by a 2 to 1 margin.

In the final analysis, your Company's program of growth and diversification in chemically related fields has proved to be economically and structurally sound. In a year when the chemical and allied industries were experiencing a continuation of the 1970 doldrums, GAF was able to increase operating earnings significantly. The 1971 consolidation program, we believe, strengthens the Company's basic congeneric expansion concept even more. Management looks to the year ahead with optimism.

Under President Nixon's economic program, the Company has obtained approval for a 2 per cent price increase which may be applied on a weighted average basis over established base prices for all domestic product lines of the Corporation.

At the same time, your Company will continue to explore every means to accelerate its growth. Intensified efforts are being made in the fields of acquisitions and new ventures. For example, the Company has set up a pilot plant for the manufacture of the newly developed GAF® Microline® plates, used in the miniaturization of complex integrated circuitry, to fill initial requirements of the electronics industry. Growth in existing sales lines also is being planned for and implemented. In this connection, the demand for asphalt roofing material has already moved your Company to the decision to build a new multi-million-dollar facility for these products at Mt. Vernon, Ind. In addition, GAF continues to direct product development efforts towards many other aspects of the ultimate consumer market.

With its vast technological skills, productive capacity and marketing prowess, GAF looks forward to ever greater accomplishment.

Your Management's confidence in the future is based fundamentally on its appreciation of the dedication, talents and diligent efforts of the many men and women of GAF who have molded the Company over the years. We know the Corporation and its shareholders can expect their continued support.

By Order of the Board of Directors.

Jesse Werner

Jesse Werner
Chairman of the Board and President

March 1, 1972

Financial Review

Sales

Sales in 1971 from continuing operations reached an all-time high of $684 million, an increase of $100 million or 17% over 1970. The year 1970 has been restated for the transfer in 1971 of certain operations between product groups and to exclude sales from operations discontinued during 1971. Sales by the Company's major product groups for the years 1971 and 1970 and the change between years are as follows:

(Dollars in Thousands)

	1971		1970		Change	
	Sales	% of Total	Sales	% of Total	Sales	%
Chemicals	$145,788	21.3	$142,028	24.3	$ 3,760	2.6
Photo Products	177,765	26.0	137,750	23.6	40,015	29.0
Business Systems	80,553	11.8	83,904	14.4	(3,351)	(4.0)
Building Materials	232,981	34.1	176,086	30.2	56,895	32.3
Industrial Products	46,675	6.8	43,714	7.5	2,961	6.8
	$683,762	100.0	$583,482	100.0	$100,280	17.2

Note: Excludes sales on operations discontinued in 1971 of $15,266,000 in 1971 and $15,224,000 in 1970.

Net Income

Net income for 1971 totaled $13,474,000, or 71 cents per common share, after deducting a net extraordinary charge of $8,433,000, or 62 cents a share, and an addition for an accounting change in the treatment of the investment tax credit amounting to $1,068,000, or eight cents per share. This compares with $14,694,000, or 80 cents a share, in 1970, which includes an extraordinary credit of $6,301,000, or 46 cents a share.

Income before extraordinary items was $21,907,000, or $1.33 per share, versus $8,393,000, or 34 cents a share, in 1970. These results are after transferring certain operations between product groups and deducting operating losses from operations discontinued in 1971 for the period they were active. These losses before unallocated corporate expenses and applicable income tax credits amounted to $4,343,000 in 1971 and $2,644,000 in 1970.

The table presented below indicates the direct operating margin of the Company's five product groups. The Company reports its operations on the basis of responsibility accounting, whereby the various lines of business are measured after the assignment of only those items of income and expense for which each line of business is directly responsible. The cost of functions that serve more than one line of business, interest and debt expense and miscellaneous income and expense items are not allocated to the product groups. These unallocated expenses totaling $33,714,000 in 1971 and $30,441,000 in 1970 include interest of $10,359,000 and $11,641,000 in the respective years. The direct operating margins as a per cent of sales were 11% in 1971, compared with 8% in 1970, reflecting important price increases and productivity gains.

(Dollars in Thousands)

	1971		1970		Change	
	Income Before Taxes	% of Total	Income Before Taxes	% of Total	Income Before Taxes	%
Chemicals	$20,719	27.6	$20,672	42.6	$ 47	.2
Photo Products	4,432	5.9	(3,094)	(6.4)	7,526	—
Business Systems	2,440	3.2	4,466	9.2	(2,026)	(45.4)
Building Materials	39,150	52.1	18,197	37.6	20,953	115.1
Industrial Products	8,449	11.2	8,241	17.0	208	2.5
Direct Operating Margin	75,190	100.0	48,482	100.0	26,708	55.1
Operating Loss of Discontinued Operations	(4,343)		(2,644)		(1,699)	
Unallocated Corporate Expenses	(33,714)		(30,441)		(3,273)	
Income before Taxes and Extraordinary Items	$37,133		$15,397		$21,736	

A comparison of cost and expenses included in the Statement of Consolidated Income, on page 27, indicates, by major expense category, the progress made in controlling costs. The increase in administrative and general expenses resulted from expenses of newly acquired operations, a provision for incentive compensation in 1971 where none was earned in 1970, increased legal and professional fees and normal increases in line with the Company's management development and growth.

Discontinued Operations and Related Extraordinary Items

During the fourth quarter of 1971 the decision was reached to discontinue several loss operations and to redeploy the funds to be generated on disposal of the assets involved into areas promising greater earnings potential. The 1971 extraordinary charges arising out of this decision relate to the Company's chlorine-caustic and ethylene oxide operations at Linden, N. J. and its Calsilite® insulation operation at Gloucester City, N. J. The values of the assets involved have been reduced to their estimated net realizable values. The estimated losses, including standby and related shutdown costs, were combined with other small charges and credits resulting from the disposal of non-operating assets no longer required in the business resulting in a net extraordinary charge of $9,702,000.

A net gain in translation of foreign currencies, arising out of the realignment of world currencies, and certain smaller items amounted to $1,269,000 and are reflected as an extraordinary credit. When combined with the above extraordinary charge, the net extraordinary charge for 1971 therefore amounted to $8,433,000. The details of this net charge as well as the extraordinary credits in 1970 are presented in note 2 to the financial statements on page 33.

The chlorine-caustic unit stopped operations near the end of September 1971 and the ethylene oxide and Calsilite insulation operations were discontinued in November 1971. Losses experienced for these units for the period that they operated in 1971 amounted to $4,343,000. The losses for such operations for all of 1970 were $2,644,000. Although deducted from the results of the Company's continuing operations in arriving at operating income these amounts are set out separately in the financial statements including a restatement of 1970 published figures to facilitate comparison. A summary of the operating loss also appears in note 2 to the financial statements on page 33.

Changes in Accounting Principles

There were two changes in accounting principles in 1971 which were approved by the Company's Certified Public Accountants. The first of these relates to the accounting for an investment in a 49% owned Canadian company. During 1971 the Company adopted the equity method of accounting for this investment to conform with a recent pronouncement of the Accounting Principles Board. There was no material effect on earnings and the details of this accounting change are included in note 1 to the financial statements on page 32.

The second accounting change relates to the investment tax credit and is explained in note 5 to the financial statements on page 34. Effective January 1, 1971 the Company has accounted for the investment tax credit arising since that date as a reduction of the provision for Federal income taxes (the flow-through method). Previously the credit was deferred and amortized over the estimated service lives of the related assets, and that method is being continued for investment tax credits which arose prior to January 1, 1971. The total investment tax credit reflected in the 1971 accounts was $1,827,778, or 13 cents per share, of which $1,138,961, or eight cents per share, represented the flow-through from 1971 expenditures. The higher investment tax credit was the principal reason for the lower effective tax rate shown in 1971.

Capital Expenditures

Expenditures for property, plant and equipment totaled $29,939,000 in 1971, compared with $25,186,000 in 1970. This excludes such assets of businesses purchased which amounted to an additional $9,262,000. Approximately one-sixth of the 1971 expenditures were for pollution control projects. The unexpended balance of approved projects at year-end was $30,042,000.

Financial Condition

Although sales grew $100 million in 1971, the Company was able to operate with no increase in working capital which remained at approximately $205 million. Improved asset turnover kept receivables and inventories below the levels to be expected from the substantial expansion in sales. The current ratio of 2.8 to 1, although down from 3.4 to 1 a year ago, is adequate for the Company's needs. Short-term debt, because of the improved sales trend, was increased over the previous year-end by $6 million, of which $3 million represented an increase in working cash balances.

Timely repayments of long-term debt were made totaling $12.8 million. An additional $15 million, due September 15, 1976, was borrowed in connection with the purchase of the assets of Perfect Photo, and on which quarterly installments of $1 million are to be made beginning March 15, 1973.

Long-term debt, excluding current portion, at the year-end was $133,900,000 and the debt equity ratio was 31/69 which is marginally better than 1970's 32/68. ■

Chemicals

GAF's [illegible] PVP [illegible] is used in a wide variety of industries ranging from foods and beverages to textiles and detergent. This multifaceted chemical also has a number of unique specialty applications such as in the restoration of old masters.

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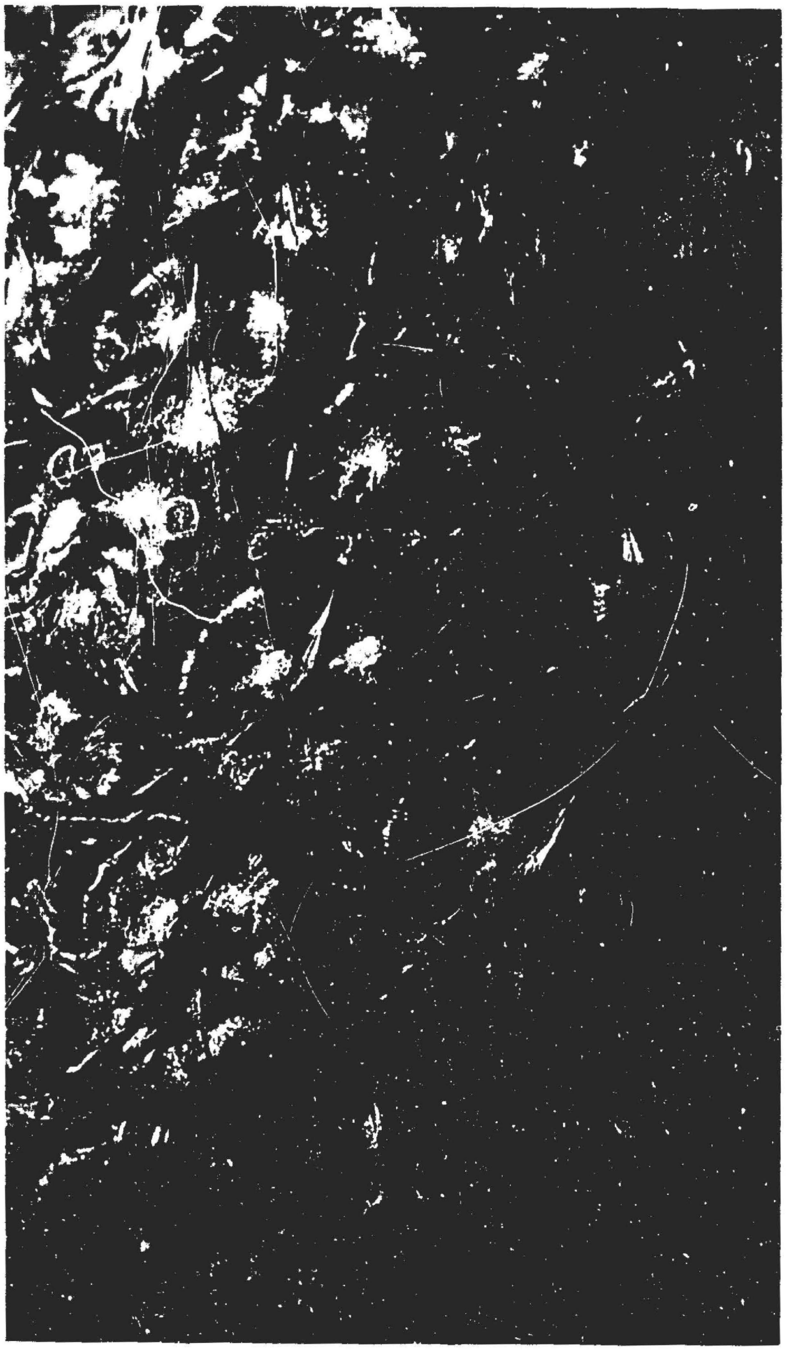
Abnormal economic pressures in the industry in 1971 impeded the progress of GAF's chemicals operations somewhat but overall sales increased nonetheless, and operating profits were slightly higher than the previous year.

In addition to the general problems facing the chemical industry, GAF also experienced a three-month strike at its dyestuffs facility in Rensselaer, N.Y.

Because of the diversity of its chemical products, however, GAF was able to withstand much of the stress, and sales gains in surfactants, agricultural chemicals, dyestuffs and textile chemicals helped to offset the adverse conditions. Continued emphasis also was placed on effective cost control measures, and several significant changes in processing and equipment at GAF facilities helped relieve the industry's cost-price squeeze.

The GAF® acetylene product line, used in a variety of industries, including cosmetics, pharmaceuticals, textiles, adhesives, detergents, plastics, coatings and inks, suffered from somewhat lower demand during 1971 but several items in the line continued at high sales levels. The outlook for the growth and profitability of this entire line, with its wide range of markets, remains highly encouraging.

Of major significance in 1971 was the acceptance of Polyclar® AT clarifying agent by two major American brewers for use in their products. During the year engineering plastics utilizing GAF acetylene intermediates were introduced in the U.S. It is expected that these new materials alone will considerably expand the market for the versatile chemicals.



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Left: A new class of sophisticated agricultural chemicals developed by GAF has hormonal-like activity which affects the growth of plants. One such compound, GAF® Cepha® plant growth regulator, is currently undergoing field tests in pineapples and a variety of other crops.

Below: Film forming polymers produced by GAF have won wide acceptance by leading manufacturers of hair grooming and conditioning products. The GAF® chemicals provide a sturdy, uniformly smooth coating with high luster and manageability.

Right: Research and development activities are continually underway at GAF in an effort to discover or improve products. Such work in textile chemicals has resulted in new flame retardant compounds for use in draperies, upholstery and carpeting.

Another strong mover in the acetylene area is the Gafquat® resin line, which has made excellent penetration into the cosmetics industry because of its highly effective hair conditioning and grooming qualities.

The surfactant line, used in detergents, lubricants, emulsifiers, and wetting agents, showed appreciable sales increases in 1971. The gains were aided by price increases as well as realignment, which placed added emphasis on higher profit items. Two of the new products introduced in the line were for detergent and pesticide compounding.

In the agricultural chemical field, Amiben, a soybean herbicide made for Amchem Products, Inc., and the first commercial application of new GAF® Cepha® plant growth regulator buoyed GAF sales. The latter product proved productive as a stimulant for latex flow in rubber trees and is now being marketed by Amchem under that company's "Ethrel" trademark. It is also undergoing field tests by Amchem to win clearance by the Food and Drug Administration for use as a regulator in a variety of crops so as to aid in the mechanical harvesting of these crops.

Sales of the Company's variety of textile chemicals, used in carpet backing, paper coating, and drapery and upholstery coating, also rose necessitating the third expansion of GAF's styrene butadiene latex facilities at Chattanooga, Tenn. in three years. New product development and technical service enabled deeper

inroads into these markets and the recent establishment of new outlets utilizing GAF® textile products assures continued growth in the field.

Operations at the Rensselaer plant continued during the strike, with the help of supervisors from other GAF chemical facilities, and all customer orders were filled. GAF® dyestuffs and pigments, which also benefited from price increases during 1971, experienced an overall rise in sales volume. In negotiating a new contract at the Rensselaer plant, significant changes in work rules were made which will result in improved productivity and efficiency. In light of the heavy price competition from foreign markets which continues to pose problems in the dyestuff area, the changes were particularly helpful. Another move to bolster this market was the Company's increased attention to the application of dyes to new fibers and fabrics being generated by the rapidly changing textile industry. In this connection, new pilot applicator equipment was installed at three separate GAF laboratories serving these markets.

In another chemical area, sales of GAF's unique ultraviolet light absorbers, used to prevent sun degradation of plastics and as sun-screening agents in cosmetics, advanced sharply. These products are expected to continue to show gains on the basis of new product development programs.

Ecological considerations at GAF chemical facilities took on increased economic importance in 1971. Activities to control emissions into the air and waterways and the disposal of solid wastes dictated significantly higher operating costs as well as new capital outlays. In all instances, GAF plants are cooperating with appropriate environmental, health and safety agencies and working to meet newly adopted standards. ■

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Left: Long a pioneer in the development of special films, GAF recently introduced a new blue-insensitive film which permits aerial photography of underwater areas. The film is one of many used by the U.S. Air Force as well as other governmental agencies.

Right: The highly popular GAF® View-Master® stereoscopic viewer and colorful three-dimensional reels have long provided entertaining and educational features for youngsters and adults alike. During 1971, GAF began to distribute these and other pictorial products through supermarket outlets.

Return on the heavy investment made to establish GAF as a quality producer of an extensive range of photographic film and equipment began to become evident in 1971. The Photo Products Group had a $7.5 million turnaround in operating results, before taxes. The factors which forged this achievement included:

☐ A modern facility for the manufacture of high quality sensitized film and paper for consumer, industrial, medical and commercial markets.

☐ A variety of developing components and processing chemicals for the professional photographer and the graphic arts industry.

☐ A diversified line of still and motion picture cameras for amateur use as well as home movie and slide projectors.

☐ A highly popular array of top caliber pictorial products including GAF® View-Master® 3-D viewers and colorful three-dimensional reel packets, an improved GAF® Talking View-Master® viewer, and the GAF® Pana-Vue® viewer and slides.

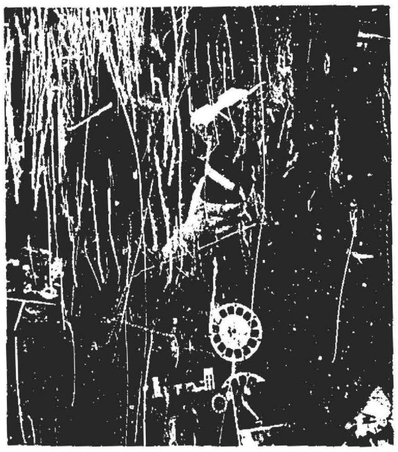
☐ A national network of finishing plants affording convenient and speedy photo processing.

☐ Strong distribution, technical service and advertising and promotion programs for the creation of new markets and extension of others.

☐ An innovative research and development arm to keep pace with fast changing concepts in the industry.

In the Consumer Photo Division, film sales increased significantly in 1971. Hard goods, notably movie outfits including camera, film, projector and screen, also made substantial gains.

The designation of GAF as the official film of Disneyland in Anaheim, California in 1970 was extended to Walt Disney World, near Orlando, Florida, when that new resort park was opened in October last year. The widely heralded recreation playlands which are expected to attract some 20 million persons annually provide practical exposure for GAF® photographic products. Sales from the more than 50 retail outlets and Company exhibit centers located at the two sites have exceeded expectations.



In another significant film development, the Company negotiated two major private label film contracts calling for multi-million-dollar sales in 1972.

Hard goods sales were aided by the introduction during the year of two new "pocket" cameras—the GAF® Memo® 35EE still camera and the GAF® Compact 400 Super 8 movie camera. Both provide a wide range of easy-to-use advanced features usually found only in more expensive still and movie cameras. Other new market entries included three new instant loading "XF" cameras utilizing the Magicube batteryless flash cubes, a GAF® ST/1000 Deluxe Super 8 movie camera featuring a 10 to 1 power zoom lens, and a GAF® 2700 movie projector which incorporates cartridge loading features for both standard 8mm and Super 8 reels.

Intensified efforts in the direct mail order business were made by the Consumer Photo Division and substantial sales resulted from these programs. Additional programs are scheduled for 1972.

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Left: GAF's designation as the official film of Disneyland and Walt Disney World has opened new sales horizons for GAF® photographic products. Approximately 20 million persons are expected yearly at the well-publicized vacation lands which house more than 50 retail outlets and two GAF Camera Centers selling GAF film and other photographic and pictorial products.

Below: Medical X-ray film is an important segment of GAF's full line of sensitized films and papers. The radiographic products include several types of film for use in a wide spectrum of X-ray examinations as well as processing chemicals and other accessories for the radiologist.

Pictorial products sales were led by the GAF View-Master 3-D viewer and the GAF Talking View-Master viewer, both showing substantial increases. In addition, a sports theatre was introduced into the View-Master® stereo line which opened up a new age market for these products.

GAF also conducted extensive field testing of pictorial products in supermarket outlets, with encouraging results. As a consequence, the Company is developing a marketing organization to further develop this marketing concept and establish appropriate distributor channels.

The Industrial Photo Products Division made considerable improvement in operating efficiencies in 1971 with increased integration of new equipment and machinery in its Binghamton, N.Y. plant, and additional improvements are continuing in 1972. As previously reported, the introduction and start up of highly complex and sensitive coating equipment had been the cause of considerable production delays.

The gains in productivity helped the Division maintain sales in the professional photo and X-ray film fields despite reduced government spending in these areas. In addition, sales of photographic materials to the graphic arts trades rose moderately in spite of overall depressed conditions in the printing industry.

Professional sales were boosted by the ability of GAF to meet the market trend to color paper and color film with products produced on the Binghamton plant's modern equipment.

With the slackening of U.S. defense and aerospace expenditures, sales of GAF® industrial X-ray film declined, but increased marketing efforts in the civilian medical X-ray field helped to offset the loss. Several new products, including polyester aerial film, improved black-and-white and color papers with faster processing and easier drying material, provided additional sales. In the graphics area, innovations in film, paper and chemicals also were made.

Near the close of 1971, the Industrial Photo Division took on responsibility for the production and sale of GAF's line of high resolution plates used in the microelectronics industry. These products, developed by GAF, have attracted the interest of producers of integrated circuits and other sub-miniature electronic devices. A pilot plant for GAF controlled production of the units was established at the Binghamton site.

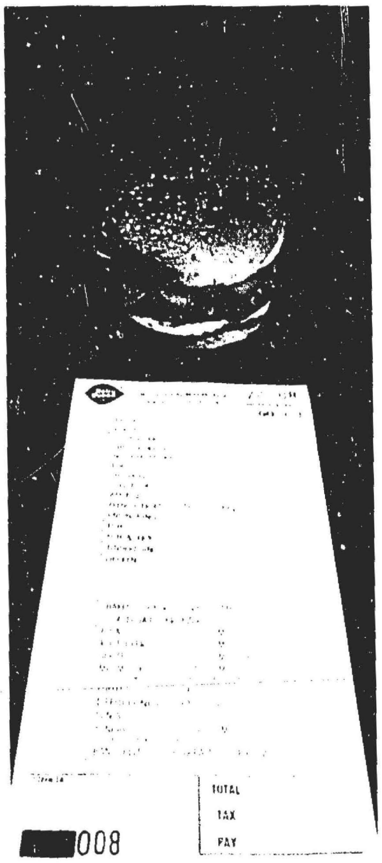
The acquisition of the Perfect Photo processing operations from Cadence Industries Corporation in March, 1971 gave GAF 14 additional film finishing plants in 12 major U.S. markets to complement its growing consumer photo products business. The units, which were integrated with other GAF® processing plants and established as the GAF Photo Service Division at the close of the year, contributed to the sales and profits increases in the Photo Products Group during the year.

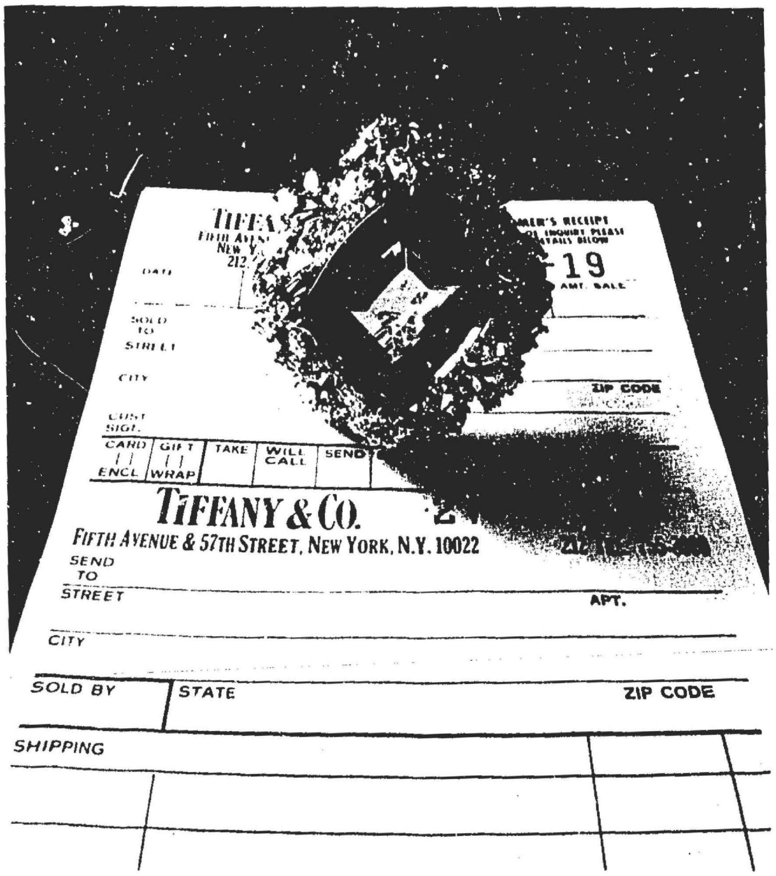
The new organization offers overnight service where competition demands it, and also assures Company control over rapidity and quality of processing for GAF as well as other film. The Division, with some 2,000 employees and truck pickup and delivery routes, services many thousands of outlets including drugstores, camera shops, discount and department stores, and other photofinishers.

Much effort during 1971 was put into standardizing equipment and processing at each location to improve productivity and establish uniform quality control measures.

Lenco Photo Products, Inc., a GAF subsidiary primarily devoted to the distribution of GAF® Sawyer's® slide projectors, as well as other photographic and related audio-visual supplies, improved its sales volume in 1971. The sales were aided significantly by the introduction of the Sawyer's® Grand Prix® slide projectors featuring automatic focusing and remote control forward and reverse operation. At the same time, reorganization of the sales force permitted the closing of two Midwest warehouses which resulted in effective cost savings. ■

Business Systems





Austere business patterns formed in the U.S. in 1970 continued to adversely affect sales and earnings of the GAF Business Systems Group in the past year. Domestic investment in new reproduction equipment by users of diazo and electrostatic copiers, the fields in which GAF deals, was minimal and caused increased price competition in these machines as well as in the sensitized materials they use. Business forms, however, were not as seriously affected.

On the brighter side, however, international sales of the reproduction and copier product lines remained strong and helped to balance the U.S. downturn.

Limited new developments and the trend toward fewer model changes in American aerospace, airframe, automotive and electronics industries especially

Left: Custom-tailored business forms produced by GAF are an integral part of many consumer purchases, whether it be a hamburger or an exquisite brooch. GAF® business forms range from simple sales books to optically scannable, computer-oriented documents.

Below: GAF® electrostatic copiers and associated papers and toners provide convenient, top quality reproduction for both high and low volume users. The GAF® 800 copier/duplicator, a high speed machine which affords low cost per unit, can copy books or other three-dimensional items.

reduced the market for diazo equipment and materials. These products, used extensively by engineers and designers for large scale reproduction of construction prints, diagrams and specifications, bore the brunt of the cuts in general business spending.

To help stimulate sales in the engineering market, two new diazo machines incorporating capabilities of handling standard metric sizes were introduced by GAF to insure world-wide acceptance of the equipment. GAF is the first U.S. manufacturer to offer American firms complete flexibility in processing all engineering drawings of American or European standards.

In the office copier field, extensions of lease and rental arrangements on present equipment further reduced current revenue of the Group. An effective divisional cost reduction program, lower inventories and selective price increases were initiated, but they could only partially overcome rises in labor and materials costs.

Intensive training programs for all marketing personnel also were instituted during 1971 to upgrade familiarity with the entire GAF® business products line including audio-visual, micrographic, drafting and business forms products and services. To supplement this program, the service organization was restructured and expanded to provide additional support for dealers and distributors throughout the nation.

Sales of GAF® business forms products manufactured at Shelby, Ohio, increased during 1971. This line, ranging from simple sales books to complex optically scannable computer-oriented documents, continues to maintain its position in the forms market. The GAF unit specializes in custom designed forms and fully integrated document systems. ■

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Building Materials

The sizable growth in sales and earnings of GAF® building materials operations in 1971 represents more than an improvement in the housing and remodeling markets. It is also testimony to product development activity and aggressive marketing programs. These outstanding performances helped generate a sales increase of 32 per cent which more than doubled operating income.

The Building Products Division, producers of asphalt roofing, mineral fiber siding and related products, increased sales markedly in 1971. The upswing in demand in both the new housing sector as well as the rehabilitation market benefited every segment of the GAF product line, but asphalt roofing products showed the most significant gain. Excellent winter weather assisted in attaining this sales volume.

Price increases instituted during the year also were instrumental in offsetting rising raw material and other costs, and helped profitability.

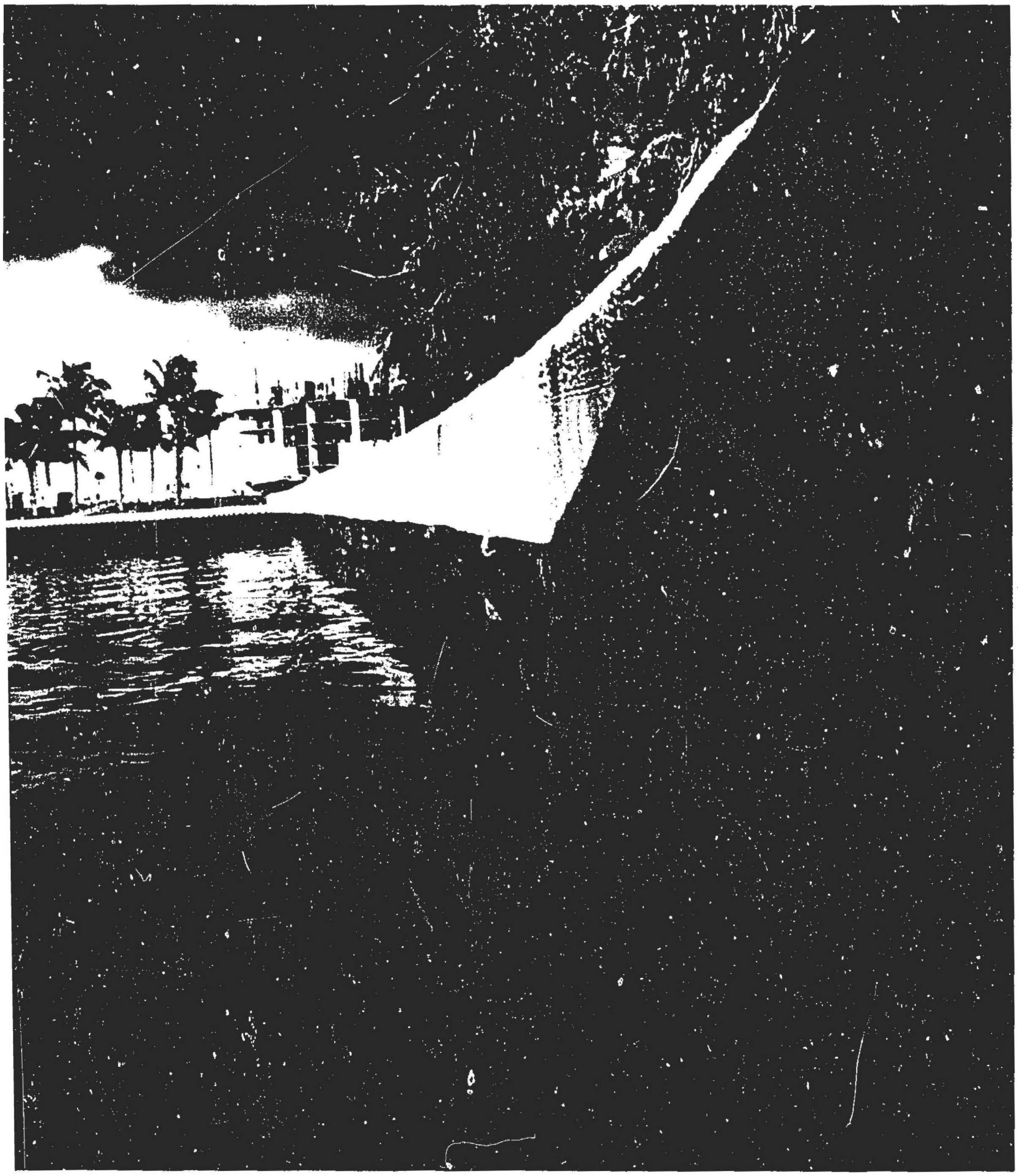
In the mineral fiber siding area, sales picked up after a slow start and ended the year with an impressive rise over 1970. GAF® Stratalite® laminated mineral siding, which simulates hand-split cedar shingles, contributed to the growth in this area. Another important ingredient in the mineral fibers product sales improvement was a line of asbestos cement bulkhead material being used extensively in waterfront and inland waterways development projects. The bulkheads, light but durable and easy to install, have earned quick acceptance by major contractors in this field.

On the manufacturing front, in addition to the decision to erect a new roofing products mill at Mt. Vernon, Ind., rewarding efforts were made to increase productivity.

Testing of GAF® Hearth-Glow™ Brick interior decorative wall covering, a new

Left: Blending tasteful styling and practicality, GAF® resilient floor coverings are becoming increasingly popular with architects, designers, builders and homemakers. Designs like this Normandy Brick in GAF® Luran® Foamcraft® sheet vinyl are so authentic that they are used in home restoration projects such as this 18th century dwelling in Chesterton, Md.

Below: New, lightweight but durable canal bulkheading material manufactured by GAF has proven ideal for waterfront and inland waterway housing and land reclamation projects. Several major builders have selected these materials for use in huge resort area developments and GAF expects to supply large quantities of the bulkheads over the duration of the long-term projects.



product, was completed in 1971. Based on the tests, the lightweight, 3/16-inch-thick individual bricks of mineral composition were introduced to the National Home Builders Show in January, 1972. The new product can be applied easily and quickly on a GAF® prepared mortar adhesive. Another new item unveiled in January was a line of GAF® Vanguard™ vinyl siding and shutters. Made of polyvinyl chloride, the new products are impervious to moisture, rot, rust or termites, and yet add color and warmth to any home.

In all of the 14 GAF Building Products plants, work on equipment and systems aimed at the reduction of fumes and odors and the purification of water wastes continued. Some $3,600,000 was spent on these programs last year with a similar amount projected for 1972.

GAF® floor tile and sheet vinyl floor coverings reached new levels of customer acceptance in 1971 and combined sales of these products were increased notably.

The major boost was in sheet goods where the GAF® Luran® Foamcraft® sheet vinyl with its extra-deep foam cushioning under a protective vinyl wear surface achieved notable advances. In the floor tile field, GAF® Sure-Stik® tile, the adhesive-backed, do-it-yourself resilient floor product introduced in 1970, was a principal contributor to the net gain.

Much of the overall market success was attributable to a strengthened distributor and sales organization as well as to the impact of 25 new designs in a variety of colors. In an area where style, fashion, color and textures play such an important role, GAF's wide range of highly decorative products increased their already universal popularity. GAF Sure-Stik tile, for instance, was chosen by an urban housing authority for a major construction project in an unprecedented contract in the adhesive-backed tile field.

In still another product refinement vein, a new heavier cushioned sheet vinyl was added to the top quality bracket to provide extra softness underfoot as well as quietness and warmth.

Left: GAF® Stratalite® laminated mineral siding is virtually impervious to weather and is perfectly suited to the needs of this desolate lighthouse in Long Island Sound. Available in 11 colors, Stratalite siding also provides termite and fire protection as well as the look of hand-split wood shingles to enhance the beauty of any home.

Below: Construction of new housing, coupled with the need for replacement roofing on older homes, has enlarged the market for GAF® Timberline™ asphalt roof shingles. The heavier, premium-priced shingles have built-in thermo-plastic sealing agents which are activated by the sun after the roof has been installed.

Of key significance to GAF operations was the start up late in the year of the new felt mill at Whitehall, Pa., representing a capital cost in excess of $10 million. The new mill, completed ahead of schedule, will supply the base felt for the production of sheet vinyl, and will make possible a substantial increase in output in keeping with accelerated market demands. The Whitehall expansion program also included significant additions to the sheet vinyl printing operations.

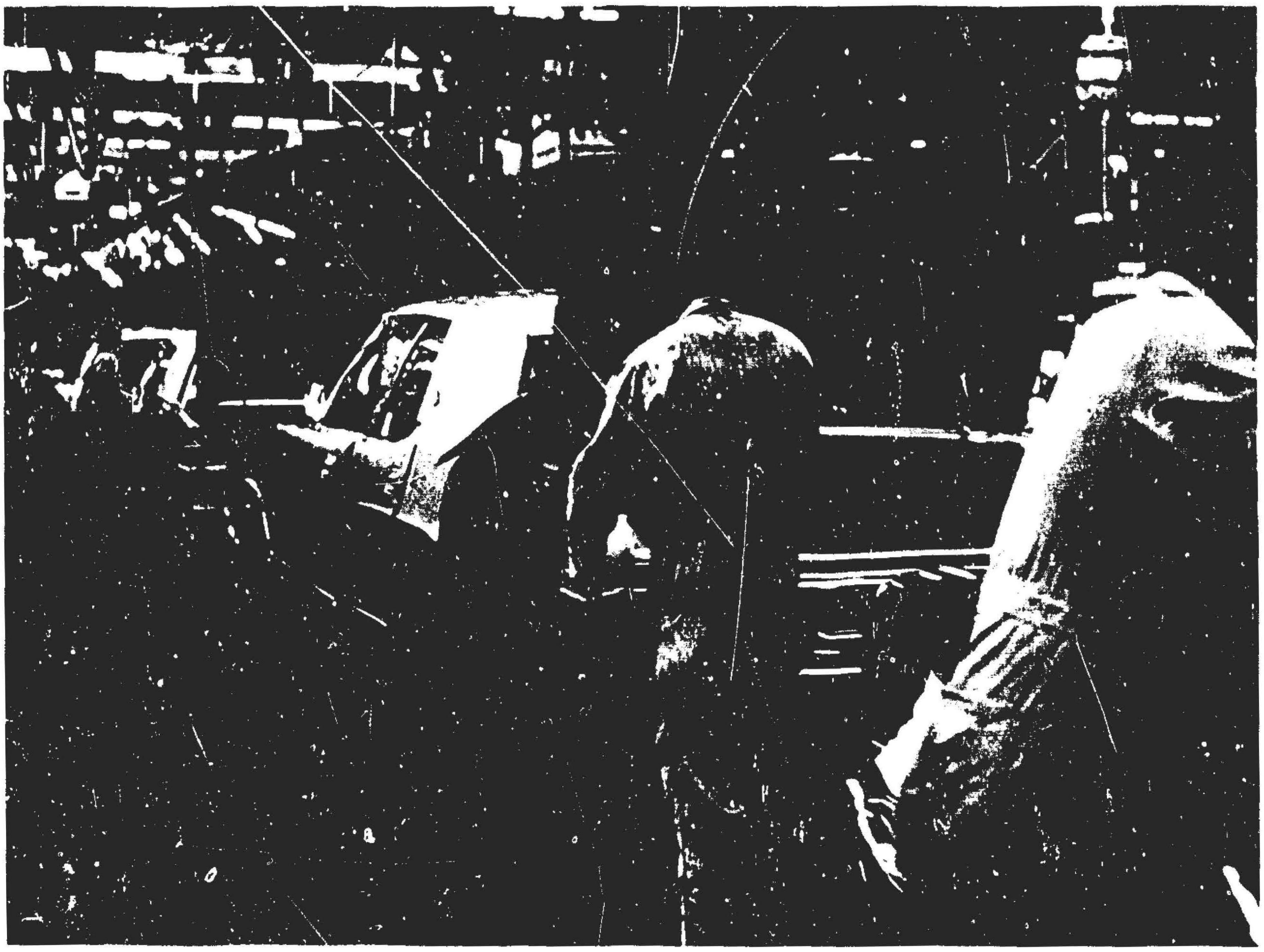
Improvements in equipment at Vails Gate, N.Y. and Long Beach, Calif. were completed during the year to provide increased production of GAF® Thru-Chip® floor tile. Under this system, colored particles are pressed completely through the tile to provide permanent design for the life of the product. The installation of this equipment at the Houston plant also was finished, and trial runs began in January, 1972. It is anticipated that considerable transportation savings will result from this installation.

Other cost-saving innovations included added control over indexing operations for the precision matching of tile regardless of design and a new computerized color regulator system.

Pollution abatement programs in the Floor Products Division during 1971 continued to consume large expenditures of effort and money. In the new Whitehall expansion, for example, a complete waste water treatment and recycling system was incorporated to substantially remove all pollutants from the effluent. Latest equipment to contain smoke and dust emissions was also installed at Whitehall, Joliet, Houston and Vails Gate. ■

Left: Fleece from specially bred Merino sheep is used by GAF to make the world's finest wool felt. GAF's wool felt products are widely used in the clothing, footwear and dry goods industries and are available in a veritable rainbow of colors.

Below: The concept of the "quiet car" was helped made a reality with the development of GAF® automotive sound control products. Recently GAF introduced new molded products for ease of installation and improved sound deadening qualities. Other GAF® industrial products for the automotive market include gaskets and filters.



GAF's Industrial Products Group, whose sales are closely aligned to the general economy, mirrored the adverse conditions of the first half of 1971 and then began gaining momentum as the year closed out. With a product range which features wool and synthetic fiber felts, asbestos paper and millboard, mineral granules, and sound control and filtration systems, the Division was able to better 1970 sales appreciably.

Granule sales, increasing demand for GAF® filtration products, and a resurgence in the automotive sound deadening market were the main factors in offsetting the otherwise flat year.

In addition, the Group accented its development of new products during 1971. Ready for launching at the close of the year or by early 1972 were:

- ☐ a new asbestos latex gasketing
- ☐ the GAF® Portaflo™ mobile filter, a self-contained portable pump-filter system
- ☐ the Gaflo™ RB-X filter system, a compact, mini-sized pressure vessel designed for general laboratory use
- ☐ molded felt and filter products for small engines
- ☐ molded automotive sound control products which provide greater ease of installation as well as improved sound deadening qualities
- ☐ a thin, light-weight synthetic fiber material for use as a separator in nickel cadmium batteries

Overall sales of GAF® mineral products, including granules and asbestos fibers, were strongly ahead of the previous year, largely due to the new housing impetus.

Sales of filtration products were assisted by the increased public concern for more air and water pollution control. GAF's position as a major supplier of synthetic fiber felts enabled further expansion in this growing market and a sales

The superior tonal effects of high quality pianos including Steinway, Baldwin, Wurlitzer and Aeolian are achieved through the use of GAF wool felts. At its felt mill in Glenville, Conn. GAF blends and processes tapered felts which are precisely graduated in thickness and density to meet the bass tones and treble requirements of piano hammers in a full keyboard.

organization specializing in filtration products was established for this purpose.

The sales of sound control products to the automotive and related industries were impressively ahead of 1970. At the end of the year, in response to the auto industry's cost-cutting programs, GAF introduced a molded mastic wheelhouse cover for testing by one of the major car manufacturers.

In the insulation field, the Calsilite® insulating material operation at Gloucester City, N.J. was eliminated because of restricted marketing opportunities. In contrast, the production of corrugated asbestos cement sheets for use in the construction of cooling towers has risen in response to a growing need for thermal water pollution control by power plants. This operation, because of its relationship to the Building Products Division, was transferred to that Division at the beginning of 1972.

GAF® wool felt sales were substantially the same in 1971 as they were the previous year. There was, however, an increase in sales of these products to the men's clothing industry.

Increased GAF interest in the production of molded felt filtration products led the Group to purchase equipment for this purpose in the latter part of the year. The machinery, installed at the Glenville, Conn. plant, marks a new manufacturing process for the Company.

With the advent of increasingly rigid health and environmental standards, the Group instituted several costly projects during the year to conform to the new regulations. Although technology is not available to meet some of the new standards, GAF is continuing its research work to develop practical solutions. ■

International Operations

GAF continued to expand its world-wide markets during 1971. Total sales from international operations were $90 million, up some five per cent from the previous year. These sales, consolidated in their five respective product groups, stem from goods manufactured in Canada and overseas, as well as from U.S. exports.

The international sales growth came in the face of general economic uncertainty which resulted in a marked slackening of industrial and consumer demand abroad. Factors affecting business conditions included investment retrenchment, increased unemployment aggravated by strikes, political unrest and unstable currency rates. Nevertheless, intensive GAF marketing effort, combined with increased technical assistance to customers and improved distributor facilities, managed to post gains.

Timely build-up of GAF inventories abroad also generally overcame the otherwise crippling effects of the prolonged dock strike at home. In this same area, consolidated ocean container shipping of dry cargo, tanker shipping and tank storage of GAF® chemicals overseas helped to balance increased domestic and foreign marine transportation costs.

GAF Export Corporation, the unit which handles U.S. produced goods for markets in the Western Hemisphere, posted record sales in 1971. Contributing to its increase was the move to encompass the entire Caribbean market area through the GAF branch in Puerto Rico. The complete range of consumer and industrial photo products was added to the branch's sales lines during the year and they scored notable successes along with the gains made by GAF® flooring products.

GAF operations in Canada also produced record sales in spite of the generally depressed economic conditions and the effects of the temporary U.S. import surcharge. Especially good results were attained in the sale of sheet vinyl floor products. Toward the end of the year the Canadian subsidiary also took on the direct sale of GAF® floor tiles to dealers to supplement its effort in this field.

In Australia, Consolidated Reprographics, Ltd., a Company in which GAF effectively attained a 100 per cent interest in 1971, increased its sale of diazo equipment and related products in 1971 and successfully introduced the GAF® View-Master® stereo line to that market.

Several GAF manufacturing plants and the administration headquarters in Great Britain were consolidated into one facility at Colnbrook near London during the year. In spite of the problems engendered by the relocation, productivity was maintained and sales of reprographic and photographic products continued to advance. The full benefits of the move will not be realized until after mid-1972, however, when the relocation will be complete.

In another expansion move, GAF extended its European diazo operations directly into Greece in July of 1971 with the acquisition of Helioprint Hellas S.A., a small producer and distributor of these products. The plant at Halkis and a warehouse at Athens now operate under the GAF Netherlands subsidiary headquartered in Delft, Holland. ■

Corporate Services

The many special corporate services available to the operating divisions during the year played an important part in the smooth functioning of the Company. GAF Corporate Staff Departments lent assistance and guidance in professional fields such as law, finance, accounting, patents, engineering and marketing research as well as providing fundamental personnel, advertising, distribution, purchasing, and research and development services.

The Technical Service Department, for instance, took on increasing engineering activities during the year in keeping with the pressures for new environmental controls and monitoring programs as well as for GAF consolidation and building projects. The department also strengthened its central procurement unit to bring new economic benefits to the Company in its purchase of needed goods and services.

In the area of human resources, the Personnel Department continued its active programs involving labor relations, the hiring of women and members of minority groups, management development, suggestion awards and the safety and security of GAF's 22,000 employees. During the year, 27 labor contracts and 11 pension agreements were negotiated successfully, with a 92-day strike at Rensselaer, N. Y. the only major work stoppage.

Advertising and sales promotion programs were instrumental in the increase of GAF sales during 1971. Television commercials featuring actor Henry Fonda highlighted these promotional activities which included print ads, trade shows, technical literature and product publicity. In one major network time purchase alone—the Walt Disney World TV special—some 30 million viewers were exposed to GAF® photographic and pictorial products. ■

Organizational Changes

In June, 1971 the GAF Management Committee, with responsibility for the direction of the overall operations of the Corporation, was reconstituted. Members of the Committee include Dr. Jesse Werner, Chairman of the Board, President and Chief Executive Officer; Philip B. Dalton, Executive Vice President for Technical Services and New Fields; Edward J. Williams, Executive Vice President for Administrative and Financial Affairs; and Miss Juliette M. Moran, who was elected Senior Vice President for Communications Services at that time.

In conjunction with the establishment of the new Management Committee, operating divisions also were realigned under four newly created group vice presidential posts to provide a more flexible top management organizational structure.

Appointed as Group Vice Presidents were James M. Cloney, for Business Systems; Joseph G. Hall, for Building and Industrial Products; and James T. Sherwin, for Photo Products. Philip B. Dalton, Executive Vice President, was given temporary responsibility for the Chemicals Group.

New Vice Presidents elected during the year included Stanley B. Feuer, who serves as General Counsel; Dr. N. Paul Klaas, responsible for Commercial Development; and Kenneth H. Houtz, in charge of the Industrial Photo Division.

In addition, eight other members of management were elected to the post of Vice President and continue to serve in their former assignments. They are Raymond Addeo, Consumer Photo Division; A. Robert Garofalo, Public Relations; Robert Goldfield, Photo Service Division; W. Richard Margerm, Controller; Jay R. Olson, Treasurer; Alfred P. Rimlinger, International Services; Jack Scheckowitz, Advertising and Sales Promotion; Raymond J. Wilcox, Building Products Division.

In another move, Martin B. Bennett was named President of Lenco Photo Products, Inc., a GAF subsidiary.

E. J. O'Leary, Senior Vice President for Marketing Services and a member of the Board of Directors, retired on June 1, 1971. Mr. O'Leary, whose outstanding efforts in the building products industry over 45 years have earned him an honored reputation among his colleagues throughout the nation, has been retained as a special consultant to GAF in this field.

Replacing Mr. O'Leary on the Board is Rainer E. Gut, Chairman and Chief Executive Officer of Swiss American Corporation.

In accordance with the by-laws of GAF Corporation, Sumner H. Williams, a member of the Board of Directors, having reached the age of 70, will not be eligible for re-election in 1972. The Corporation is very grateful that Mr. Williams, a former Senior Vice President of GAF and a world renowned expert in the dyeing and printing of textiles, is continuing his association with the Company as a research consultant. His leadership in this field has led to the issuance of numerous patents assigned to GAF in 1971 and prior years. Additional patent applications on Mr. Williams' inventions are still pending. ■

Directors and Corporate Officers

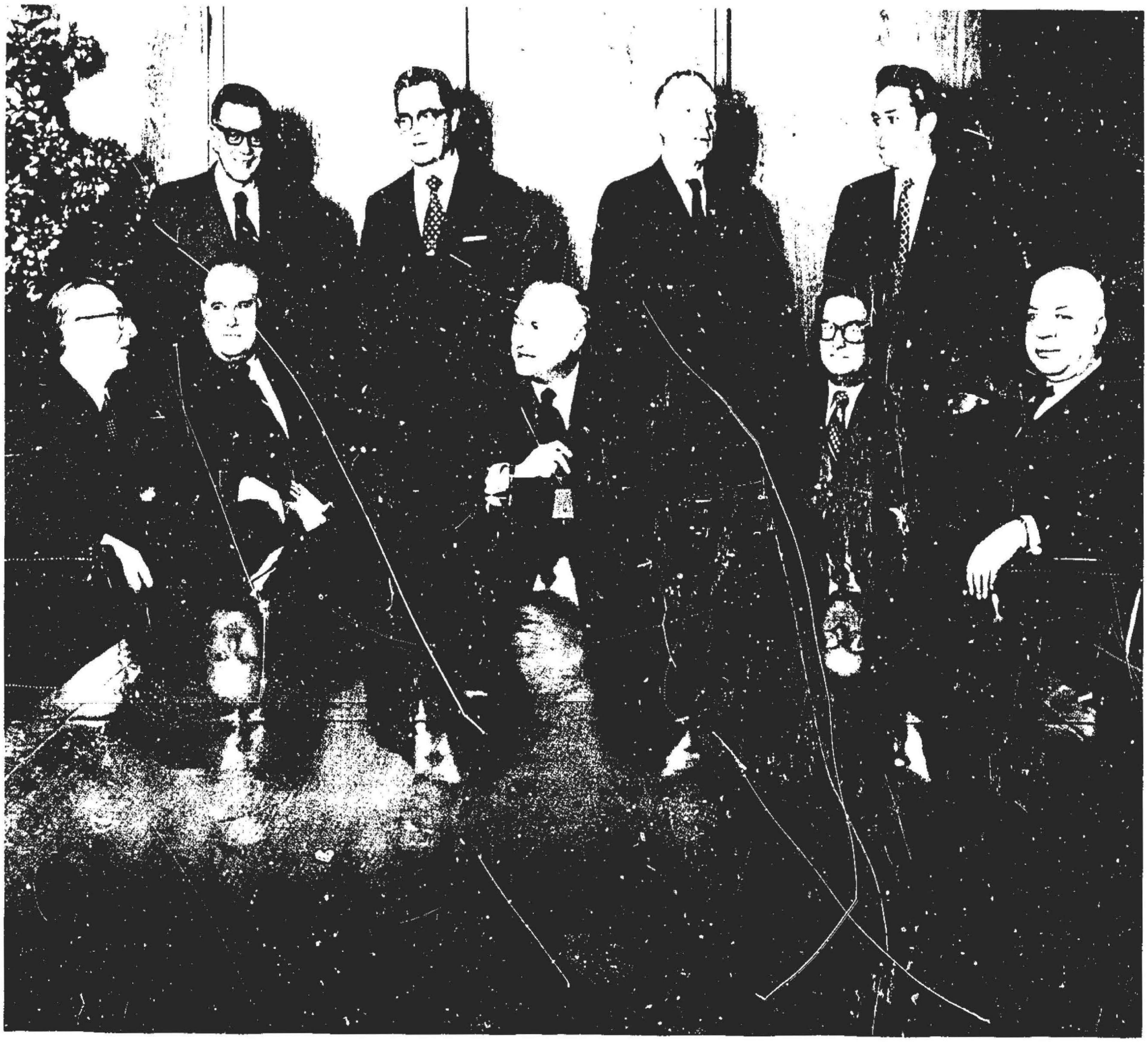
Directors

Jesse Werner Chairman
T. Roland Berner
John B. Bridgwood
Philip B. Dalton
Rainer E. Gut
Bailey K. Howard
Wm. Peyton Marin
Donald L. Sanders
Howard S. Turner
Edward J. Williams
Sumner H. Williams

Corporate Officers

Jesse Werner President
Philip B. Dalton Executive Vice President
Edward J. Williams Executive Vice President
Juliette M. Moran Senior Vice President
James M. Cloney Group Vice President
Joseph G. Hall Group Vice President
James T. Sherwin Group Vice President
Raymond Addeo Vice President
J. Stokes Clement Vice President
Thomas A. Dent Vice President
Stanley B. Feuer Vice President
R. Power Fraser, Jr. Vice President
A. Robert Garofalo Vice President
Robert S. Goldfield Vice President
Jack F. Gow Vice President
Kenneth H. Houtz Vice President
N. Paul Klaas Vice President
W. Richard Margerm Vice President & Controller
James C. Murphy Vice President
Robert L. Myers Vice President
Jay R. Olson Vice President & Treasurer
Alfred P. Rimlinger Vice President
Jack Scheckowitz Vice President
Raymond J. Wilcox Vice President
Herbert L. Abrons Secretary

The Board of Directors of GAF Corporation pause during a meeting for an informal portrait. Standing, left to right, are Philip B. Dalton, Howard S. Turner, T. Roland Berner and Rainer E. Gut. Seated, in the same order, are Sumner H. Williams, Edward J. Williams, Chairman Jesse Werner, Wm. Peyton Marin and Donald L. Sanders. Not present for the group photograph but shown below are John B. Bridgwood, left, and Bailey K. Howard.



GAF Corporation and Consolidated Subsidiaries
Five Year Financial Summary (Dollars in thousands except per share figures)

	Year Ended December 31				
	1971	1970	1969	1968	1967
Operating Results:					
Net Sales (c)	**$683,762**	$583,482	$592,066	$554,264	$504,584
Income (a):					
Before Taxes and Other Charges	**37,133**	15,397	29,100	38,567	33,441
Before Extraordinary Items	**21,907**	8,393	15,242	21,232	18,961
Net Income	**13,474**	14,694	11,068	21,232	18,961
Earnings per Common Share (a and b):					
Before Extraordinary Items	**1.33**	.34	.85	1.31	1.14
Net Income	**.71**	.80	.54	1.31	1.14
Earnings per Common Share—assuming full dilution (a and b):					
Before Extraordinary Items	**1.19**	.38	.85	1.23	1.10
Net Income	**.76**	.79	.54	1.23	1.10
Dividends Paid:					
Preferred	**3,802**	3,795	3,793	3,775	2,686
Capital Stock of Acquired Companies	**—**	—	—	—	797
Common	**5,444**	5,434	5,395	5,338	5,337
Per Common Share	**.40**	.40	.40	.40	.40
Capital Expenditures	**29,939**	25,186	22,090	43,578	39,931
Wages and Salaries Including Employee Benefits	**204,917**	183,347	180,366	156,012	151,751

	December 31				
	1971	1970	1969	1968	1967
Financial Condition:					
Current Assets	**319,000**	289,784	297,766	267,153	230,327
Current Liabilities	**113,766**	84,469	99,816	110,898	72,763
Working Capital	**205,234**	205,315	197,950	156,255	157,564
Property, Plant & Equipment (Net)	**222,640**	231,233	235,848	237,530	212,623
Total Assets (d)	**588,341**	561,191	574,197	535,444	473,522
Long-term Debt	**133,926**	136,411	144,300	103,439	96,192
Shareholders' Equity (d)	**301,802**	297,054	290,154	286,449	273,314
Number of Employees	**21,955**	19,773	21,082	20,177	19,377

(a) The effect of a change in the method of accounting for the investment tax credit was to increase income before extraordinary items and net income for 1971 by $1,067,776 ($.08 per common share, and $.05 per common share assuming full dilution).

(b) See Note 9 to Consolidated Financial Statements for method of computing earnings per share.

(c) Net Sales, as previously presented for years prior to 1971, have been restated to eliminate therefrom the sales of operations discontinued in 1971.

(d) Total Assets and Shareholders' Equity, as previously presented for 1970, have been restated for the change to the equity method of accounting for an investment in a 49% owned company.

GAF Corporation and Consolidated Subsidiaries
Statement of Consolidated Income

	Year Ended December 31 1971	1970 (Note 2)
Revenues:		
Net sales	$683,761,633	$583,481,735
Other income—net	1,402,942	1,436,391
	685,164,575	584,918,126
Cost and Expenses:		
Cost of products sold	477,236,005	419,844,193
Distribution and selling	112,216,172	100,306,209
Research and development	12,648,414	12,655,892
Administrative and general	31,229,249	22,429,654
Interest on borrowed capital	10,358,655	11,640,634
Operating loss of discontinued operations (Note 2)	4,343,000	2,644,000
	648,031,495	569,520,782
Income before Taxes	37,133,080	15,397,344
Provision (Credit) for Federal and Foreign Income Taxes (Note 5):		
Current	11,384,140	2,681,102
Deferred	4,530,967	4,889,631
Deferred investment tax credit	(688,817)	(566,512)
	15,226,290	7,004,221
Income before Extraordinary Items	21,906,790	8,393,123
Extraordinary (Charges) Credits (Note 2)	(8,432,947)	6,300,481
Net Income	$ 13,473,843	$ 14,693,604

Earnings per Common Share (Note 9):		
Income before extraordinary items	$1.33	$.34
Extraordinary items	(.62)	.46
Net income	$ .71	$.80

Earnings per Common Share—assuming full dilution (Note 9):		
Income before extraordinary items	$1.19	$.38
Extraordinary items	(.43)	.41
Net income	$ .76	$.79

See Notes to Consolidated Financial Statements

GAF Corporation and Consolidated Subsidiaries
Consolidated Balance Sheet

Assets	December 31 1971	1970 (Note 1)
Current Assets:		
Cash	$ 17,011,907	$ 13,975,124
Marketable securities, at cost, which approximates quoted market value	115,920	21,898
Accounts receivable—trade, less allowance for doubtful accounts—1971, $2,135,417; 1970, $2,035,531	124,809,569	112,034,878
Accounts receivable—other	5,458,987	9,174,938
Anticipated proceeds upon sale of plant facilities (Note 2)	5,500,000	–
Inventories, at the lower of cost (principally average) or market (Note 3)	156,404,135	146,905,960
Prepaid expenses	4,297,633	4,564,234
Future Federal income tax benefits	5,401,493	3,106,767
	318,999,644	289,783,799
Other Investments and Advances (Note 1)	2,848,728	2,577,317
Property, Plant, and Equipment, at cost:		
Land, land improvements, and mineral properties	15,972,444	15,509,641
Buildings and building equipment	110,905,364	107,278,150
Machinery and equipment	289,540,304	300,622,420
Construction in progress	11,709,834	15,800,647
	428,127,946	439,210,858
Less accumulated depreciation, amortization, and depletion	205,488,030	207,977,880
	222,639,916	231,232,978
Goodwill, Patents, Trademarks, etc. (Note 1)	43,853,121	37,597,321
	$588,341,409	$561,191,415

See Notes to Consolidated Financial Statements

Liabilities		December 31
	1971	1970 (Note 1)
Current Liabilities:		
Notes payable	$ 21,023,704	$ 14,908,466
Current portion of long-term debt	17,956,943	12,177,100
Accounts payable	33,837,863	31,643,096
Accrued taxes, wages, etc.	26,701,856	18,960,765
Federal and foreign income taxes (Note 5)	14,245,860	6,779,971
	113,766,226	84,469,398
Long-term Debt Less Current Portion Above (Note 6)	133,925,887	136,410,500
Obligation Under Long-term Lease (Note 10)	3,455,000	3,705,000
Deferred Income Taxes (Note 5)	27,401,624	28,703,983
Other Liabilities (Note 1)	1,901,482	3,266,179
Deferred Investment Tax Credit (Note 5)	6,089,094	7,582,193

Shareholders' Equity

Preferred stock, $1 par value, authorized 6,000,000 shares; $1.20 convertible series; issued—1971, 3,170,104 shares; 1970, 3,163,071 shares; at assigned value of $1.25 per share (liquidation value 1971, $87,177,860) (Note 7)	3,962,630	3,953,839
Common stock, $1 par value, authorized 25,000,000 shares; issued—1971, 13,617,839.5 shares; 1970, 13,598,827.5 shares (Note 7)	13,617,840	13,598,828
Paid-in surplus	50,549,973	50,057,684
Retained earnings (Note 6)	233,671,653	229,443,811
	301,802,096	297,054,162
	$588,341,409	$561,191,415

GAF Corporation and Consolidated Subsidiaries
Statement of Shareholders' Equity
for the Two Years Ended December 31, 1971

	Preferred Stock	Common Stock	Paid-in Surplus	Retained Earnings
Balance, January 1, 1970 (shares of stock: 3,161,714 preferred and 13,586,627.5 common)	$3,952,142	$13,586,628	$49,639,930	$222,975,315
Net income				14,693,604
Cash dividends:				
Preferred stock–$1.20 per share				(3,795,279)
Common stock–$.40 per share				(5,433,911)
Issuance of 1,150 shares of preferred stock upon exercise of stock options	1,438		19,669	
Issuance of 207 shares of preferred stock and 12,200 shares of common stock under incentive compensation plan	259	12,200	161,577	
Amortization of excess of quoted market value over aggregate sales price for shares of restricted common stock sold to key employees (Note 7)			236,508	
Balance, December 31, 1970, as originally reported	3,953,839	13,598,828	50,057,684	228,439,729
Adjustment to change to equity method of accounting for investment in a 49% owned company (Note 1)				1,004,082
Balance, December 31, 1970, as restated (shares of stock: 3,163,071 preferred and 13,598,827.5 common)	3,953,839	13,598,828	50,057,684	229,443,811
Net income (Note 5)				13,473,843
Cash dividends:				
Preferred stock–$1.20 per share				(3,801,725)
Common stock–$.40 per share				(5,444,276)
Issuance of 7,840 shares of preferred stock and 3,700 shares of common stock upon exercise of stock options	9,800	3,700	171,342	
Issuance of 243 shares of preferred stock under incentive compensation plan	303		5,285	
Issuance of 14,000 restricted shares of common stock under stock purchase plan (Note 7)		14,000	61,250	
Conversion of 1,050 shares of preferred stock into 1,312 shares of common stock	(1,312)	1,312		
Amortization of excess of quoted market value over aggregate sales price for shares of restricted common stock sold to key employees (Note 7)			254,412	
Balance, December 31, 1971 (shares of stock: 3,170,104 preferred and 13,617,839.5 common) (Note 6)	$3,962,630	$13,617,840	$50,549,973	$233,671,653

See Notes to Consolidated Financial Statements

GAF Corporation and Consolidated Subsidiaries
Statement of Changes in Consolidated Financial Position

	Year Ended December 31 1971	1970 (Note A)
Source of Funds:		
From operations:		
Income before extraordinary items	$ 21,906,790	$ 8,393,123
Add (deduct) expenses (income) not requiring (providing) working capital:		
Depreciation, amortization, and depletion	23,392,860	20,923,338
Deferred income taxes (non-current portion)	2,462,301	3,981,464
Deferred investment tax credit	(688,817)	(566,512)
Amortization of deferred charges	1,204,658	1,143,589
Amortization of intangible assets	192,239	–
Other	1,487,404	1,516,490
Working capital provided from operations, exclusive of extraordinary items	49,957,435	35,391,492
Extraordinary (charges) credits	(8,432,947)	6,300,481
Add (deduct) items not requiring (providing) working capital:		
Net book value of facilities sold or being disposed of	23,300,540	9,192,088
Deferred income taxes (non-current portion)	(3,312,733)	(796,210)
Unamortized deferred investment tax credit	(804,282)	(66,286)
Working capital provided from extraordinary items	10,750,578	14,630,073
Working capital provided from operations	60,708,013	50,021,565
Long-term borrowing	15,000,000	1,750,000
Proceeds from exercise of stock options and sale of restricted stock to key employees	641,075	21,106
Total	76,349,088	51,792,671
Disposition of Funds:		
Expenditures for property, plant, and equipment	29,938,945	25,185,906
Net assets, excluding working capital, of businesses purchased:		
Property, plant, and equipment	9,261,666	1,339,399
Intangible assets, etc.	6,467,238	1,361,404
Non-current liabilities	(501,379)	(1,074,602)
Equity of minority shareholders	1,285,528	(1,004,963)
Less acquisition cost carried as an investment at December 31, 1969	–	(1,845,219)
Reduction of long-term debt	17,880,786	9,639,100
Payment of dividends	9,246,001	9,229,190
Other	2,851,286	1,598,052
Total	76,430,071	44,428,267
Increase (Decrease) in Working Capital (including $544,692 in 1971 and $1,395,390 in 1970 arising from purchase of businesses)	(80,983)	7,364,404
Working Capital, Beginning of Year	205,314,401	197,949,997
Working Capital, End of Year	$205,233,418	$205,314,401
Summary of Increase (Decrease) in Working Capital:		
Increase (decrease) in current assets:		
Cash and marketable securities	$ 3,130,805	$ (5,686,789)
Inventories	9,498,175	(5,320,745)
Accounts receivable	14,558,740	4,336,615
Other	2,028,125	(1,310,946)
Total	29,215,845	(7,981,865)
Decrease (increase) in current liabilities:		
Notes payable	(6,115,238)	15,791,426
Accounts payable	(2,194,767)	4,329,998
Federal and foreign income taxes	(7,465,889)	(4,474,058)
Other	(13,520,934)	(301,087)
Total	(29,296,828)	15,346,269
Increase (decrease) in working capital	$ (80,983)	$ 7,364,404

Note A—Amounts for 1970 have been reclassified to conform with 1971 classifications.
See Notes to Consolidated Financial Statements

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GAF Corporation and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

1. **Principles of Consolidation, Acquisitions, Etc.**—In the accompanying financial statements the accounts of all significant subsidiaries have been consolidated.

The consolidated balance sheet includes the following amounts with respect to foreign subsidiaries:

	1971	1970
Current assets	$38,985,675	$37,002,064
Other assets	5,576,059	6,844,777
Total assets	44,561,734	43,846,841
Current liabilities	13,194,838	17,163,606
Other liabilities	2,158,986	3,223,520
Total liabilities	15,353,824	20,387,126
Company's equity in net assets of foreign subsidiaries	$29,207,910	$23,459,715

The statement of consolidated income includes the following amounts with respect to foreign subsidiaries:

	1971	1970
Revenues	$65,040,237	$61,491,000
Income before extraordinary items	$ 3,125,597	$ 2,050,643
Extraordinary items	1,153,461	3,923,171
Company's equity in net income of foreign subsidiaries	$ 4,279,058	$ 5,973,814

Current assets and liabilities of foreign subsidiaries have been translated into U.S. dollars at year end exchange rates, other assets and liabilities at historical exchange rates, and operating accounts generally at average exchange rates for each year. The translation of foreign currencies resulted in a net gain of $992,360 for 1971 and a net loss of $91,938 for 1970. The net gain for 1971 is attributable principally to the weakening in the exchange rate of the U.S. dollar which occurred in that year and has been treated as an extraordinary credit. The net loss for 1970 was applied as a reduction of Other Income.

In March 1971, the Company acquired certain photo finishing plants and the business and assets relating thereto for a net cash purchase price of approximately $15,188,000. The plants, business, and assets were held and operated by a wholly owned subsidiary of the Company, Perfect Photo, Inc., until December 31, 1971, at which date this subsidiary was merged into the Company. Also in July 1971, the Company acquired for a cash purchase price of approximately $100,000 the assets and business of Helioprint Hellas S.A., a manufacturer of sensitized papers and a distributor of reprographic papers and machines in Greece. The results of operations of the acquired businesses, which did not significantly affect consolidated revenues or net income for 1971, have been included in the consolidated financial statements from the dates of acquisition.

The Company's ownership of an Australian subsidiary, Consolidated Reprographics, Ltd., was increased from 60% at January 1, 1970 to 100% (effectively) at December 31, 1971 through cash purchases of this subsidiary's shares of capital stock from minority shareholders amounting to approximately $1,479,500 and $181,800 in the years 1971 and 1970, respectively, and provision of $279,312 for the cost of shares of capital stock being acquired in 1972. The equity of minority shareholders in the net assets of this subsidiary, $1,159,693, at December 31, 1970, is included in Other Liabilities at that date; and their equity in net income, $198,005 for 1971 and $215,000 for 1970, has been applied as a reduction of Other Income.

Subject to adjustment upon completion of appraisals of certain of the assets included in 1971 acquisitions, the cost of goodwill and other intangible assets acquired have been tentatively determined to be approximately $2,980,000 and $3,134,000, respectively, and is being amortized, by charges to income, over periods of 40 years for goodwill and 20 years for other intangible assets.

The Company's equity in the net assets of subsidiaries was in excess of the cost of investments in and advances to such subsidiaries by $6,106,408 and $4,346,556 at December 31, 1971 and 1970, respectively. In consolidation these net amounts were included in accounts as follows:

	1971	1970
Goodwill, Patents, Trademarks, etc.	$10,421,193	$ 9,947,256
Retained Earnings (undistributed net income since acquisition)	16,527,601	14,293,812

The Company has a 49% interest in Chemical Developments of Canada, Limited (CDCL) which was acquired when that company was formed in 1949. Prior to 1971 this investment was included in Other Investments and Advances at a nominal value, and dividends paid by CDCL were included in Other Income as received. During 1971 the Company adopted the equity method of accounting for the investment in CDCL. The resulting adjustment, consisting of $465,550 representing the excess of cost over carrying value of the investment and $538,532 representing the Company's equity in undistributed earnings for the period from 1949 to December 31, 1970, is included in Other Investments and Advances with an offsetting credit to Retained Earnings as of December 31, 1970. The 1970 statement of consolidated income was not restated to include therein the portion of the adjustment applicable to that year since the amount thereof is not material. The Company's equity in the earnings of CDCL for the eleven months ended November 30, 1971, $145,895, is included in Other Income, and 1971 dividends received from CDCL, $48,559, were applied to reduce the investment account. The investment on the restated basis, $1,140,373 which is equivalent to the Company's equity in the net assets of CDCL at November 30, 1971, is included in Other Investments and Advances.

Also included in Other Investments and Advances are 6% notes receivable from key employees, received in payment for restricted common stock purchased under the Company's plan for the sale of restricted and unrestricted common stock to key employees (see Note 7) aggregating $397,523 and $805,381 at December 31, 1971 and 1970, respectively. Of the total amount at December 31, 1971, $307,047, $22,132, and $68,344 is due in 1975, 1976, and 1977, respectively. The related shares of restricted common stock are pledged as collateral for such notes.

Goodwill, which aggregated $36,465,143 and $34,071,821 at December 31, 1971 and 1970, respectively, arose in connection with the purchase of other companies and businesses. As to the amount at December 31, 1971, $2,917,955 represents the unamortized balance arising from acquisitions since October 31, 1970 (the effective date of the applicable Opinion of the Accounting Principles Board of the American Institute of Certified Public Accountants) which is being amortized by charges to income over a period of 40 years. The remaining balance, $33,547,188, which arose prior to November 1, 1970, is not being amortized since, in the opinion of management, there has been no diminution of value since acquisition. Goodwill arising prior to November 1, 1970 was reduced by $524,633 during 1971, principally by applying thereto certain income tax benefits realized through liquidation and merger into the Company of certain companies acquired in prior years.

2. Extraordinary Items–Extraordinary (charges) credits consist of the following:

Year Ended December 31, 1971:	
Provision for estimated loss on disposal of certain plant facilities and related costs, less estimated reduction of state and local income taxes, $477,374	$(18,974,755)
Less estimated credits (provision) for Federal income taxes and investment tax credit:	
Current	715,773
Deferred	8,570,302
Excess of investment tax credit recapture over unamortized deferred investment tax credit, $804,282	(13,507)
Total	9,272,568
Estimated net loss	(9,702,187)
Net gain on translation of foreign currencies (Note 1)	992,360
Other items—net (principally reversal of the excess portion of a 1969 provision for loss on disposal of facilities)	276,880
Total	$ (8,432,947)
Year Ended December 31, 1970:	
Net gain on sale of Texas Amiben production facilities, abandonment of related facilities, and renegotiation of the Amiben supply contract, less estimated applicable income taxes, $1,043,802	$ 2,377,310
Net gain on sale of headquarters of English subsidiary, less estimated applicable income taxes, $143,028	3,923,171
Total	$ 6,300,481

The Company's chlorine-caustic operations were discontinued in September 1971, the ethylene oxide and Calsilite® operations were discontinued in November 1971, and the related production facilities are expected to be disposed of in 1972. The estimated net loss and related costs resulting from the proposed disposal of these facilities and an unused quarry, less a gain on the 1971 sale of certain woodlands, amounted to $9,702,187 as shown in the above summary. The anticipated proceeds upon sale of the applicable facilities amounts to $5,500,000, the major portion of which represents the selling price for the chlorine-caustic facilities specified in a memorandum of agreement, which has been signed by the Company and the prospective purchaser, to enter into a definitive contract.

Following is a summary of the operating loss (see (a) below) of the discontinued operations:

	1971	1970
Net sales	$15,266,000	$15,224,000
Cost of products sold	18,051,000	16,149,000
Directly related expenses	1,558,000	1,719,000
Total	19,609,000	17,868,000
Operating loss (a)	$ 4,343,000	$ 2,644,000

(a) The Company reports its operations on the basis of responsibility accounting, whereby the various lines of business are measured after the assignment of only those items of income and expense for which each line of business is directly responsible. Accordingly, the amounts of operating loss as shown above are before the allocation of interest expense, the cost of functions that serve more than one line of business, miscellaneous expense and income items, and income tax effect

The statement of consolidated income as previously presented for 1970 has been restated to show separately the operating loss of operations discontinued in 1971.

3. **Inventories** - Inventories at December 31, 1971 and 1970 consisted of the following:

	1971	1970
Finished Goods	$ 78,405,630	$ 73,202,655
Work in Process	33,367,697	33,755,117
Raw Materials and Supplies	44,630,808	39,948,188
Total	$156,404,135	$146,905,960

Inventories at December 31, 1971 included $2,229,364 relating to businesses purchased in 1971.

4. **Depreciation, Amortization, and Depletion Policy** — It is the policy of the Companies to provide for depreciation and amortization of plant properties generally at straight-line rates based on the estimated service lives of the property. Depletion of mineral properties is provided at fixed rates per ton of materials produced. Depreciation, amortization, and depletion charged to cost and expenses for 1971 and 1970 amounted to $23,392,860 and $20,923,338, respectively.

5. **Income Taxes and Investment Tax Credit** — Effective January 1, 1971 the Company has accounted for the investment tax credit arising since that date as a reduction of the provision for Federal income taxes (the flow-through method). Previously the investment tax credit was deferred and amortized over the estimated service lives of the related assets, and that method is being continued for investment tax credits which arose prior to January 1, 1971. The 1971 change recognizes that, based on previous experience, the Company's earnings are depressed during periods of heavy capital expenditures, as a result of start-up expenses and the non-income producing investment of funds, including those invested in initially excess capacity of facilities. The effect of this change was to increase income before extraordinary items and net income for 1971 by $1,067,776 ($.08 per common share, and $.05 per common share assuming full dilution). The provision for current Federal income taxes for the year ended December 31, 1971 was reduced by investment tax credit of $1,138,961.

Deferred income taxes have been provided in recognition of timing differences in reporting certain items of income and expense (principally accelerated depreciation) for income tax and financial statement purposes.

The Internal Revenue Service has proposed additional assessments of approximately $1,869,000, plus interest, for the years 1962 through 1965 for a company acquired in 1967. The Company is of the opinion that adequate provision has been made for any additional liability which might arise therefrom.

Foreign income taxes included in the current provision for Federal and foreign income taxes for years ended December 31, 1971 and 1970 amounted to $2,356,347 and $2,142,000, respectively.

6. **Long-term Debt and Dividend Restrictions**–Long-term debt at December 31, 1971 and 1970 represented the balance of unsecured loans as follows:

	1971	1970
5% Convertible Subordinated Notes due April 1, 1994 with annual prepayments of $10,000,000 beginning April 1, 1990, less $100,000 in treasury in 1971	$ 49,900,000	$ 50,000,000
5⅞% Sinking Fund Debentures due December 1, 1991 with annual sinking fund payments of $2,500,000 beginning December 1, 1972, less $3,980,000 and $3,690,000 in treasury in 1971 and 1970, respectively	46,020,000	46,310,000
5½% notes due May 1, 1974 with quarterly installments of $2,500,000 (Interest rate at ¼ of 1% above floating prime)	25,000,000	32,000,000
5¼% notes due September 15, 1976 with quarterly installments of $1,000,000 beginning March 15, 1973 (Interest rate at floating prime through December 31, 1972 and increasing at specified dates thereafter to a maximum of ½ of 1% above floating prime)	15,000,000	–
4⅞% notes due June 30, 1972 with quarterly installments of $1,000,000	2,000,000	5,500,000
3½% notes due March 1, 1972	5,250,000	6,500,000
5½% Convertible Subordinated Notes due April 1, 1983 with annual prepayments of $200,000 on April 1, 1972 through 1982 and balance of $1,800,000 payable April 1, 1983	4,000,000	4,000,000
Other notes, which bear interest at 5⅜% to 9% in 1971 and mature at various dates to 1986	4,712,830	4,277,600
Total	151,882,830	148,587,600
Less portion due within one year	17,956,943	12,177,100
Remainder	$133,925,887	$136,410,500

The 5% convertible subordinated notes are convertible into shares of common stock, at any time, at a conversion price of $27.50 per share (subject to future anti-dilution adjustments in specified circumstances). The 5½% convertible subordinated notes are convertible into shares of common stock, at any time prior to April 2, 1976, at a conversion price of $28.72 per share (subject to future anti-dilution adjustments in specified circumstances).

Dividends are restricted under the provisions of certain loan agreements. Under the most restrictive of these provisions, approximately $206,000,000 and $205,600,000 of the consolidated retained earnings at December 31, 1971 and 1970, respectively, were not available for dividends.

7. **Capital Stock**–The $1.20 convertible preferred stock, dividends on which are cumulative, is convertible, at any time, into common stock at the rate of 1¼ shares of common stock for each share of preferred. At any time after June 1, 1972, the Company may redeem the preferred stock at specified prices ranging from $30.00 to $27.50 per share.

Under the provisions of the Company's stock option plan, options to purchase shares of common stock may be granted to key employees during a ten-year period ending March 31, 1975. The prices at which options may be granted may not be less than 100% of the fair market value of the shares on the date the option is granted. The options are exercisable after a one-year waiting period and terminate five years from date of grant. A summary of transactions affecting the Company's stock option plan is as follows:

	1971		1970	
	Shares	Option Price	Shares	Option Price
Options outstanding, beginning of year	296,250	$6,789,963	325,700	$7,984,723
Options granted	–	–	31,000	319,063
Options exercised	(3,700)	(44,819)	–	–
Options terminated	(90,750)	(2,637,710)	(60,450)	(1,513,823)
Options outstanding, end of year	201,800	$4,107,434	296,250	$6,789,963

Options for 201,800 shares, having an aggregate option price of $4,107,434, were exercisable at December 31, 1971. There were 366,700 and 275,950 shares, respectively, reserved for the granting of additional options at December 31, 1971 and 1970.

In addition to the above, 2,815 shares of the $1.20 convertible preferred stock are reserved for options assumed by the Company at the time of an earlier merger. A summary of transactions for the past two years is as follows:

	1971		1970	
	Shares	**Option Price**	Shares	Option Price
Options outstanding, beginning of year	**13,743**	**$238,656**	17,293	$303,862
Options exercised	**(7,840)**	**(140,023)**	(1,150)	(21,106)
Options cancelled	**(3,088)**	**(56,742)**	(2,400)	(44,100)
Options outstanding and exercisable, end of year	**2,815**	**$ 41,891**	13,743	$238,656

Under the provisions of the Company's restricted and unrestricted stock purchase plan, 650,000 shares of common stock may be sold to key employees. Restricted and unrestricted shares may be sold at prices which are not less than 20% and 80%, respectively. of the closing market price preceding the date on which an employee is designated as one to whom shares may be offered for sale. The excess of quoted market value over the aggregate sales price for restricted shares sold is being amortized by charges to income over the restriction period. The unamortized balance to be amortized through the period ending January 15, 1980 amounted to $3,403,488 and $3,704,990 at December 31, 1971 and 1970, respectively. At December 31, 1971 and 1970, respectively, there were 437,000 and 446,000 shares of common stock available for sale under the plan. Under certain conditions, the Company has the right to repurchase restricted shares of common stock at the original selling price. These repurchased shares are held in treasury pending resale under the stock purchase plan. A summary of such transactions is as follows:

	1971		1970	
	Shares	**Cost**	Shares	Cost
Shares held in treasury, beginning of year	**5,000**	**$26,675**		
Shares repurchased	**10,000**	**53,750**	11,000	$59,125
Shares resold	**(5,000)**	**(26,875)**	(6,000)	(32,250)
Shares held in treasury, end of year	**10,000**	**$53,750**	5,000	$26,875

The shares held in treasury are included in Other Investments and Advances.

The number of shares of the Company's capital stock reserved for issuance at December 31, 1971 and 1970 were as follows:

	1971	1970
$1.20 Convertible Preferred Stock:		
Reserved for exercise of stock options	**2,815**	13,743
Reserved for payment of deferred stock awards under incentive compensation plan	**3,711**	3,954
Total	**6,526**	17,697
Common Stock:		
Reserved for conversion of $1.20 convertible preferred stock, including 8,158 and 22,121 shares, respectively, for stock options and deferred stock awards	**3,970,788**	3,975,960
Reserved for exercise of stock options	**568,500**	572,200
Reserved for conversion of 5½% convertible subordinated notes	**139,279**	139,279
Reserved for conversion of 5% convertible subordinated notes	**1,814,546**	1,818,182
Reserved for sale under restricted and unrestricted stock purchase plan	**437,000**	446,000
Total	**6,930,113**	6,951,621

8. **Retirement Plans**—The Company and its subsidiaries have several pension plans covering substantially all employees. The total pension cost amounted to $5,539,082 for 1971 and $3,666,887 for 1970, and includes, as to certain of the plans, amortization of prior service cost over periods ranging from ten to forty years. The Companies' policy is to fund pension cost accrued.

Changes, as recommended by the Company's consulting actuary, of actuarial assumptions resulted in an increase of net income of approximately $300,000 for 1971, and of an actuarial assumption and in the method of determining pension costs resulted in an increase of net income for 1970 of approximately $400,000.

9. **Earnings Per Share**—Earnings per common share were computed by dividing income before extraordinary items and net income, as adjusted for preferred stock dividend requirements, by the weighted average number of shares of common stock outstanding [illegible]

computations of earnings per common share also comprehended the assumed exercise of options granted subsequent to May 31, 1969 for the purchase of shares of common stock where the effect thereof would be dilutive.

Earnings per common share—assuming full dilution were computed on the assumption (where the effect thereof would be dilutive as to either income before extraordinary items or net income on a per share basis) that the convertible preferred stock, 5% convertible subordinated notes, and 5½% convertible subordinated notes outstanding at the end of each year were converted into shares of common stock at the beginning of each year, and that the conversions of preferred stock into common stock which occurred during 1971 had occurred at the beginning of that year. As to the convertible subordinated notes, income before extraordinary items and net income were adjusted for purposes of these computations to eliminate the interest thereon net of its income tax effect. The computations of fully-diluted earnings per share also comprehended the assumed exercise of options for the purchase of shares of preferred and common stock where the effect thereof would be dilutive.

10. **Commitments and Contingent Liabilities**—Under the terms of a long-term lease obligation covering 3⅝% to 4¼% City of Annapolis, Missouri, industrial revenue bonds, an annual rental of approximately $385,000 is payable until September 30, 1983 to cover bond principal and interest.

The Companies were obligated under other long-term leases as follows:

	Aggregate Annual Rental 1971	1970
Leases Expiring in		
2-5 Years	$2,322,000	$2,474,000
6-10 Years	618,000	421,000
11-20 Years	2,073,000	2,024,000
Over 20 Years	187,000	111,000

At December 31, 1971 and 1970, the Companies had commitments of approximately $13,019,000 and $13,163,000, respectively, for the acquisition of property, plant, and equipment.

At December 31, 1971 there were certain lawsuits and claims pending against the Companies. In the opinion of management the ultimate disposition of these matters will not materially affect the Companies' consolidated financial position. ■

Accountants' Opinion

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 10004

To the Stockholders and Board of Directors of GAF Corporation:

We have examined the consolidated balance sheet of GAF Corporation and its consolidated subsidiaries as of December 31, 1971 and 1970 and the related statements of consolidated income, shareholders' equity, and changes in consolidated financial position for the two years ended December 31, 1971. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of the companies at December 31, 1971 and 1970 and the results of their operations and the changes in their financial position for the two years ended December 31, 1971, in conformity with generally accepted accounting principles applied (except for the 1971 changes in methods of accounting for an investment in a 49% owned company and the investment tax credit, which we approve, as explained in notes 1 and 5 to the consolidated financial statements) on a consistent basis.

February 11, 1972

Haskins & Sells

Registrars

The Chase Manhattan Bank
1 Chase Manhattan Plaza
New York, New York 10015

Commercial Trust Company of New Jersey
15 Exchange Place
Jersey City, New Jersey 07302

Transfer Agents

First National City Bank
111 Wall Street
New York, New York 10015

First Jersey National Bank
1 Exchange Place
Jersey City, New Jersey 07303

Directory of GAF Products

GAF® Chemical Products

Surfactants: nonionic, anionic, cationic, and amphoteric surface-active agents for use as detergents, emulsifiers, dispersants and wetting agents.

Specialty Chemicals: processing and formulating agents, including bactericides and fungicides, finishing agents, adhesive additives, sequestrants, antistatic agents, lubricants, and solvents, for use in various industries.

Textile Chemicals: textile auxiliaries, flame retardants, carpet antistats; rubber latices for rug backings, fabric coatings, and paper coatings; latex foam backing for drapery fabrics; latex adhesives for fabric lamination.

High-Pressure Acetylene Derivatives: monomers, polymers, copolymers, solvents, organic intermediates, and other chemicals derived from acetylene for use in cosmetic, petroleum, pharmaceutical, plastic, textile, adhesive, and a variety of other industries.

Industrial Organic Chemicals: complex cyclic and aliphatic compounds for use as active ingredients and as intermediates in the dye, pharmaceutical, agricultural, and chemical processing industries.

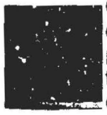
Dyestuffs: acid, azo, azoic, basic, condensation, chrome, direct, disperse, mordant, metalized, sulfur, vat, and vat-ester dyes; fluorescent brighteners; oil-, spirit-, water-soluble dyes; used in dyeing cotton, wool, silk, rayon, acetate, nylon, polyester, acrylics, and other man-made fibers and blends; also paper and leather.

Pigments: azo, benzidine, BON, carbazole, carbon, chrome, dianisidine, molybdate, naphthol, nitroso, oxide, PMA, phthalocyanine, PTA, and pyrazolone pigments; lakes, dispersed powders, toners, dispersed pastes, and presscakes used in coloring paints, lacquers, and other protective coatings, plastics, printing inks, rubber, solvents, oil, waxes, and in melt spinning or dyeing of fibers.

Iron Powders: microscopic-size spheres of iron used in VHF and UHF circuitry, transmitters, receivers, radar, and in powder metallurgy.

Ultraviolet Absorbers: ultraviolet-screening agents for plastics, textiles, pigments, rubber, adhesives, and cosmetics.

GAF® Photo Products



Consumer Products: still and movie cameras, slide projectors, movie projectors, color slide and print films, black-and-white films, papers, chemicals, and accessories.

Pictorial Products: View-Master® stereo viewers, picture reels, and projectors; Pana-Vue® slide viewers and color slides for educational, entertainment, and commercial uses.

Graphic Arts Products: films, papers, and chemicals for offset printing, photolithography, photoengraving, rotogravure, phototypesetting, and silk-screen printing.

Professional Products: color and black-and-white films, color and black-and-white papers; chemicals for portrait, school photography, photofinishing, and industry; specialized materials for seismic recording, instrumentation, surveillance, oscillography, computer output microfilming (COM), motion pictures; automatic processors for films and papers.

Photoimaging Products: high resolution see-through glass plates, film, and photoresist for the electronics industry.

X-Ray Products: medical and industrial X-ray films, chemicals, and accessories; radiologic teaching aids.

GAF® Business Systems Products

Business Machines: GAF® electrostatic copiers, papers, toners, and supplies; dictating machines and accessories.

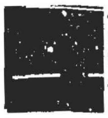
Business Forms: custom designed and printed data-processing forms, sales books, manifold order books, single copy forms, unitset forms, voucher and receipt books; Card-Set™ forms and forms for autographic register and similar items.

Diazo Reproduction Products: diazo copying machines and sensitized materials for engineering and business systems; drafting office materials and supplies.

Audio-Visual Products: overhead and slide projectors, overhead projection transparency series for pre-school through college instruction, custom transparency production service, materials and supplies; ESP™ computer-interfacing and manually operated random access slide projectors.

Micrographic Products: complete line of diazo microfilm, roll film duplicating equipment, microfiche film readers, and diazo duplicating films.

GAF® Building Products



Asphalt roof shingles; asphalt roll roofing and siding; asphalt, asbestos, or tar built-up roofing felts; asphalt protective coatings and cements; T/NA 200® roofing membrane; mineral fiber board, roof shingles, sidings; mineral fiber canal bulkhead, corrugated asbestos cement sheets, and asbestos-cement flat sheets; building and roof insulations; Stratalite® thatch siding; vinyl siding; brick interior wall covering; ceiling wall membrane, and other products for the manufactured housing industry.

GAF® Floor Products: asphalt and vinyl asbestos resilient floor tiles, adhesives, cove base sheet vinyl floorings, floor finishes and cleaners for residential and commercial uses.

GAF® Industrial Products

Felt and Filter Products: wool and synthetic fiber felts and filter devices for air, liquid, and gas filtration; pressure vessel filter systems, sealing and lubricating devices, plate-glass and metal polishing felts, piano felts, wool felts for apparel and interior design; felts for automotive, industrial, and aerospace applications.

Asbestos Products: asbestos fibers, asbestos insulating felts and boards, asbestos papers, and nonwoven papermakers' felts for paper.

Automotive and Insulation Products: automotive sound deadening and insulation products, industrial insulations, and electrical insulating tapes.

Granules: mineral granules for roofing and other uses, inert fillers, and slate flour.

Contract Sales: contract manufacture of precision parts and equipment.

Directory of GAF Locations

Corporate Offices
140 West 51 Street,
New York, N.Y. 10020

GAF Corporation Divisions:

- Chemical
- Consumer Photo Photo Service
- Industrial Photo
- Office Systems
- Building Products Floor Products
- Industrial Products

Plants

Alabama
Huntsville •
Mobile •
Arizona
Phoenix
California
La Habra •
Long Beach
Los Angeles
Colorado
Denver •
Connecticut
Greenwich •
Staffordville •
Florida
Tampa •
Georgia
Dalton •
Fairmount •
Savannah •
Illinois
Chicago
Joliet • •
Iowa
Mason City
Kentucky
Calvert City •
Louisiana
Kenner
Maryland
Baltimore •
Massachusetts
Franklin •
Millis •
Somerville
Michigan
Detroit •
Warren •
Minnesota
Minneapolis •
Missouri
Annapolis •
Kansas City •
St. Louis •
New Jersey
Bound Brook •
Gloucester City •
Linden •
Paterson •
So. Bound Brook •
New York
Binghamton • • •
Johnson City •
Newburgh •
Rensselaer •
Vails Gate
Vestal •
North Carolina
Charlotte
Ohio
Elyria •
Shelby •
Oregon
Portland
Progress •
Pennsylvania
Blue Ridge Summit •
Erie • •
Philadelphia
Pittsburgh
Whitehall
Rhode Island
Westerly •
Tennessee
Chattanooga •
Texas
Arlington •
Dallas •
Houston
San Antonio
Texas City •
Vermont
Hyde Park •
Washington
Seattle
Spokane
Wisconsin
Appleton
Milwaukee
Pembine •

Research Laboratories

Connecticut
Greenwich •
Illinois
Chicago • •
Kentucky
Calvert City •
Maryland
Hagerstown •
Massachusetts
Westwood •
New Jersey
Bound Brook •
Linden •
So. Bound Brook •
New York
Binghamton • •
Johnson City •
Rensselaer •
Vails Gate
Vestal •
North Carolina
Charlotte •
Pennsylvania
Easton •
Whitehall
Tennessee
Chattanooga •
Texas
Texas City •

Sales Offices

Alabama
Mobile •
Arizona
Phoenix
California
Bakersfield
La Habra • • • •
Long Beach •
Los Angeles
Sacramento •
San Diego •
San Jose
So. San Francisco • • • •
Colorado
Denver • • •
Connecticut
Greenwich •
Hartford •
Florida
Miami •
Orlando • • •
Tampa •
Georgia
Atlanta • • •
Chamblee •
Dalton •
Savannah •
Illinois
Chicago
Franklin Park •
Joliet •
Lincolnwood • • •
Melrose Park • • •
Peoria •
Indiana
Indianapolis •
South Bend •
Iowa
Des Moines •
Mason City
Louisiana
Kenner
New Orleans • •
Maryland
Baltimore •
Cheverly • • •
Hagerstown •
Massachusetts
Franklin •
Millis •
Somerville
Westwood • • • •
Michigan
Detroit • • •
Warren •
Minnesota
Minneapolis •
Missouri
Kansas City •
Maryland Heights • • •
New Jersey
Bound Brook •
Linden •
So. Bound Brook •
Union •
New York
Binghamton • • •
Brooklyn
Buffalo •
Delmar •
Johnson City •
New York • • • • • •
Rochester • •
Schenectady •
Syracuse •
Vails Gate
Vestal •
North Carolina
Charlotte • •
Ohio
Cincinnati • •
Cleveland • • •
Columbus •
Shelby •
Toledo •
Youngstown •
Oregon
Eugene
Portland • • •
Pennsylvania
Erie • •
Monroeville •
Paoli • • •
Philadelphia
Pittsburgh •
Reading •
Roslyn •
Whitehall
South Carolina
Greenville •
Tennessee
Chattanooga •
Johnson City •
Knoxville •
Nashville •
Texas
Arlington • •
Dallas • •
Houston • •
San Antonio
Texas City •
Washington
Seattle • • •
Spokane
Wisconsin
Appleton
Brookfield •
Milwaukee •

Distribution Centers

Alabama
Mobile •
California
La Habra • • • • • •
Long Beach
So. San Francisco • • • •
Colorado
Denver • •
Connecticut
Greenwich •
Staffordville •
Florida
Orlando • • •
Tampa •
Georgia
Atlanta • • • •
Dalton •
Savannah •
Illinois
Franklin Park •
Joliet •
Lincolnwood • • •
Melrose Park • • •
Indiana
Indianapolis •
Maryland
Baltimore •
Cheverly • • •
Massachusetts
Millis •
Westwood • • • •
Michigan
Detroit • • • •
Minnesota
Minneapolis •
Missouri
Kansas City •
Maryland Heights •
St. Louis •
New Jersey
Linden •
So. Bound Brook •
New York
Binghamton • •
Johnson City •
Vails Gate
Vestal •
North Carolina
Charlotte • •
Ohio
Cincinnati • •
Shelby •
Oregon
Portland • •
Pennsylvania
Erie •
Monroeville •
Paoli •
Whitehall
Tennessee
Chattanooga •
Johnson City •
Knoxville •
Nashville •
Texas
Arlington • • •
Dallas •
Houston •
Texas City •
Washington
Seattle • • •
Wisconsin
Brookfield •

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Manchester, England
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Athens, Greece
GAF (Ireland) Limited
Dublin, Ireland
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Pero, Italy
GAF (Japan) Limited
Tokyo, Japan
GAF (Nederland) N.V.
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GAF (Norge) A/S
Oslo, Norway
GAF (Osterreich) G.m.b.H.
Vienna, Austria
GAF (Svenska) AB
Stockholm, Sweden
GAF (Switzerland) A.G.
Zug, Switzerland

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Pointe Claire, Quebec, Canada

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Van Nuys, California
Chicago, Illinois
Binghamton, New York
Long Island City, New York
Portland, Oregon

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Sint-Niklaas, Belgium
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